MicroCapital Monitor
THE MICROFINANCE NEWSPAPER

FREE PREVIEW EDITION*

JANUARY 2014 | VOLUME.9 ISSUE.1

MICROCAPITAL BRIEFS | TOP STORIES

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EBRD, FMO Buy 25% of Imon of Tajikistan for $6.5m

Please see page 2 for coverage of this "MicroCapital Deal of the Month."

Grameen-Jameel to Loan $4m in Jordan, Lebanon

Grameen-Jameel Microfinance Limited, a Cyprus-based nonprofit launched by the US-based Grameen Foundation and Saudi Arabian NGO Abdul Latif Jameel Community Initiatives, intends to loan USD 2 million each to two NGO microlenders: Microfund for Women (MFW) of Jordan and Al Majmoua of Lebanon. The funds are intended to allow the recipients to serve a total of 3,500 additional households. MFW reports assets of USD 39 million, a gross loan portfolio of USD 36 million, 81,000 active borrowers, return on assets (ROA) of 3.9 percent and return on equity (ROE) of 9.2 percent. Al Majmoua reports assets of USD 33 million, ROA of 7.3 percent and ROE of 13 percent as of 2012 and loan portfolio of USD 33 million outstanding to 39,000 active borrowers as of 2013. January 11. 2014

Prudential Purchases Majority Stake in Ghana's Express Life

UK-based life insurer Prudential recently purchased a majority stake in Ghanaian microinsurance provider Express Life Insurance Company from LeapFrog Investments, a private equity fund based in Mauritius, for an undisclosed price. The deal allows LeapFrog, which invested USD 5.5 million in Express Life in 2012, to exit its stake in the microinsurer, which has 16,000 policies outstanding with 90 percent of its customers living on less than USD 10 per day. LeapFrog focuses on Africa and Asia and reports a fund size of USD 135 million. Prudential has the equivalent of USD 662 billion in assets. January 6. 2014

Deutsche Bank Secures $75m for Microfinance Enhancement Facility

Germany's Deutsche Bank recently secured USD 75 million in financing from unspecified private investors for the Microfinance Enhancement Facility (MEF), an investment vehicle that issues loans to financial institutions serving micro- and small enterprises in middle- and low-income countries. MEF was established in 2009 by the World Bank Group's International Finance Corporation and German development bank Kreditanstalt fur Wiederaufbau Entwicklungsbank. MEF has assets of USD 388 million. December 31. 2013

Jamaica May Regulate MFIs, Cap Microloan Interest Rate at 40%

The Jamaican Ministry of Finance reportedly has announced plans to regulate microfinance institutions under the proposed Microcredit Act of 2013, which would replace most provisions of the Moneylending Act of 1999. Under the new law, a maximum interest rate would be set at 40 percent per year. The new law also would require lenders to register with the Ministry of Finance and meet disclosure requirements such as providing borrowers with loan repayment amounts in terms of both percentage of principal and dollar value. December 24. 2013

(For more top stories, please refer to the subscriber edition)

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MICROCAPITAL BRIEFS

FMO Loans $7m to Nigeria's Fortis for On-lending to Women

Dutch development bank Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden reportedly has approved a five-year loan equivalent to USD 6.8 million to be disbursed to Nigeria's Fortis Microfinance Bank. The majority of the funds are designated for a microcredit program focused on female empowerment that will include money management training and loans of USD 190 to USD 1,600 per person. Founded in 2007, Forits has 14 branches, a gross loan portfolio of USD 66 million, deposits of USD 40 million, return on assets of 11 percent and return on equity of 24 percent. January 10. 2014

Old Mutual Finalizes Buy of Faulu Kenya

Old Mutual, a UK-based financial services provider, has received regulatory approval to acquire a majority stake in Faulu Kenya, a deposit-taking microfinance company. Faulu Kenya has total assets of USD 89 million, a gross loan portfolio of USD 63 million outstanding to 78,000 active borrowers, USD 55 million in total deposits from 268,000 depositors, return on assets of 2.4 percent and return on equity of 28 percent. Old Mutual manages the equivalent of USD 403 billion and serves 14 million customers in 20 countries. A preliminary announcement of this transaction appeared in the August 2013 issue of this newspaper. January 9. 2014

EBRD Loans $4m to Jordan's Microfund for Women

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral institution operating in 36 countries, recently announced that it will extend a senior loan of USD 4 million to Microfund for Women (MFW), an NGO microlender in Jordan, to support on-lending to female entrepreneurs. EBRD will also advise the organization in attempting to attract larger businesses as clients. MFW reports assets of USD 39 million, a gross loan portfolio of USD 36 million, 81,000 borrowers, return on assets of 3.9 percent and return on equity of 9.2 percent. January 8. 2014

ResponsAbility Loans $20m to Financiera Confianza of Peru

Switzerland's responsAbility Investments recently notified MicroCapital that it has loaned USD 20 million to Financiera Confianza, a Peruvian NGO microbank. Confianza is one of eight MFIs affiliated with Fundacion BBVA Microfinanzas, which was founded by Spanish bank BBVA. Confianza reports assets of USD 248 million, a loan portfolio of USD 202 million outstanding to 96,000 borrowers, USD 78 million in deposits from 45,000 depositors, return on assets of 3.4 percent and return on equity of 21 percent. January 7. 2014

MicroCapital Deal of the Month

EBRD, FMO Buy 25% of Imon of Tajikistan for $6.5m

The London-based European Bank for Reconstruction and Development and Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden, a Dutch public-private partnership that aims to promote growth in developing economies, recently announced a joint investment of USD 6.5 million in Imon International, a microfinance institution in Tajikistan. Under the terms of the deal, each investor will receive a 12.5-percent stake in Imon, which will use the additional capital to expand its offerings to include services such as deposits. In anticipation of the development, Imon has already acquired a deposit-taking license. Imon reports total assets of USD 86 million, a gross loan portfolio of USD 68 million, 58,000 borrowers, return on assets of 5.9 percent and return on equity of 27 percent.

Sequoia Sells 1.75% Stake in India's SKS to WestBridge for $4.7m

US-based Sequoia Capital has sold its 1.75-percent stake in India's SKS Microfinance to WestBridge Capital, an investment group with offices in India, Mauritius and the United States. WestBridge purchased the shares for INR 155 each, allowing Sequoia to exit its investment with gross proceeds equivalent to USD 4.7 million. Sequoia purchased the stake five years ago at INR 138 per share. With this transaction, WestBridge increased its holdings in SKS to 10.2 percent. SKS reports a gross loan portfolio of USD 434 million, 4.3 million borrowers, return on assets of -15.8 percent and return on equity of -73.4 percent. SKS, which is publicly traded, does not accept deposits. January 2. 2014

FIELD NOTES

Customization: The Key to Leveraging Everyone's Full Potential?

During the holidays, my family hosts a "benefit party." It may be my favorite day of the year because it always feels transformative. I pre-select three charities based on a theme (this year was children's rights), and the children who attend (aged 5 to 15) decide which charity will receive the proceeds from a raffle. They discuss the options among themselves and try to come up with arguments to build consensus around one option. They never seem to pick the obvious choice, and they always teach me something I didn't know, provoking me to think about my own work in new ways. This year, one girl argued for a charity that does not offer one solution for all the kids that come through its door, instead tailoring solutions to the needs of the child. The girl insisted that kids need different things based on their situations, and a program that offers only financial services, for example, may not be addressing a child's primary problem. She was impressed, instead, with an organization that helped an undocumented girl in New York to obtain a green card so that she could work and then begin to strive for college, saying: "If they had offered her something else, she still wouldn't have gotten what she needed, her papers."

Offering a single solution is appealing: we all want to have "the answer." A simple model most likely is easier to implement and more scalable than customized approaches. But is it most effective in improving the lives of the poor and vulnerable? Our team recently visited Fundacion Paraguaya (FUPA), a mission-driven microfinance institution that works in Asuncion with vulnerable populations, including youth. FUPA recently implemented a "stoplight" tool that loan officers use to measure various vulnerabilities of new clients' families to help FUPA customize the services it offers. These problems may vary from family violence to a need for technical assistance with growing crops. Clients may be offered help directly or through partner organizations, and progress is measured over time. Clients were enthusiastic, noting that they were becoming agents of their own change.

The comments of a young girl and the experience of FUPA are thought-provoking. Perhaps we should not think about "products" or even "solutions" as interventions, because they can obfuscate the diversity of needs of the poor and vulnerable. Would it be possible for customization to be the "next big thing"? It may be costly - and complex - but the potential results make it worth examining in more depth. If customization will prove to be a game changer, then it may be time to start coming up with technologies and processes to make it cheaper to identify the specific needs of poor households, segment these needs and offer more highly customized solutions - possibly through a single trusted and convenient channel. FUPA employees already are using tablet computers to enter stoplight information into a web-based data management system. Perhaps customization can be a scalable concept after all: A girl can dream, don't you think?

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni@eac-global.com, or you may follow her on Twitter at BarbaraatEA.

PAPER WRAP-UPS

Partnerships in Mobile Financial Services: Factors for Success

By Mark Flaming, Aiaze Mitha, Michel Hanouch, Peter Zettereli and Greta Bull; published by the MasterCard Foundation and the International Finance Corporation; October 2013; 18 pages; available at http://www.ifc.org/wps/wcm/connect/884862804 14940acb54ab79e78015671/Partnerships+in+Mo bile+Financial+Services.pdf?MOD=AJPERES

This report presents findings from a study exploring the factors that determine the success of business partnerships among telecommunication firms, financial institutions and other organizations in providing mobile financial services. Complex by nature, these services require expertise in banking, telecommunications, technology, marketing, operations and distribution.

Through an analysis of case studies in Cambodia, Ghana, Kenya and Pakistan, the authors find that the most important success factors are... *(Continued in the subscriber edition)*

Lessons Learned from the Moroccan Crisis

By Nadine Chehade and Alice Negre, published by CGAP (Consultative Group to Assist the Poor), July 2013, 4 pages, available at http://www.cgap.org/ sites/default/files/Brief-Lessons-Learned-from-the-Moroccan-Crisis-July-2013_0.pdf

This report seeks to offer "lessons learned from the rise, fall, and ongoing recovery of the Moroccan microcredit sector…". The authors state that, between 1990 and 2007, the microcredit sector in Morocco "enjoyed extraordinary growth rates." Between 2003 and 2007, the country's aggregate microcredit portfolio grew roughly 1,000 percent to become the largest in the Middle East and North Africa.

However, between 2005 and the peak of the crisis in 2009, the portfolio-at-risk rate rose from... *(Continued in the subscriber edition)*

"Doing the Math" – Women's Health Microinsurance in Guatemala

By Derek Poulton and Barbara Magnoni, published by The MicroInsurance Centre, October 2013, 9 pages, available at http://www.microinsurancecentre.org/milk-project/milk-docs/doc_details/1043-milk-brief-28-qdoing-the-mathq-womens-health-microinsurance-in-guatemala.html

Gynecologic cancers are one of the leading causes of death among Guatemalan women, and the authors of this study note that women in the country are fearful of the disease. Despite this, women are less likely to seek out gynecology services because such visits are sometimes perceived as a sign of promiscuity. Women also may delay gynecologic care because of lack of access or money.

In response to these challenges, Aseguradora Rural, a Guatemalan insurance company, created the VivoSegura health microinsurance product, which is available to women that hold savings accounts with Banrural, a local bank. The product is intended to offer access to options beyond free public health centers, "where the lines are long, supplies are scarce, and service quality is low."

The study methodology included interviews and a questionnaire addressing the cost of gynecology visits, quality of service and general impressions about insurance. The participants included 25 women with VivoSegura insurance and 31 without health coverage but who had visited a private gynecologist within the preceding six months.

Members of the insured group had an average monthly income of USD 720 versus USD 494 for the uninsured, which is attributed to clients with Banrural savings accounts having relatively high family incomes. The findings suggest that the younger the woman, the less likely that she is insured: "The gap may reflect the fact that women in or approaching middle age are more concerned about, and possibly more aware of the need for preventing cancer, and thus more motivated to acquire Vivo-Segura. It may also reflect the demographics of Banrural's savings clients…."

The researchers note that - compared with the uninsured - the insured women tend to worry more about cancer and medical cost and that their decisions to purchase insurance were motivated by a desire to curb their anxiety regarding illness. The findings confirm that the insured incurred lower out-of-pocket costs when they were sick, and clients "generally" perceived the cost of the insurance as affordable. Sixty-four percent believed the insurance helped save them money.

The authors argue that a lack of education and the proliferation of outright misinformation are significant challenges and that - in order to achieve better health outcomes - the industry must boost its dissemination of information… *(Continued in the subscriber edition)*